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8 May 1958

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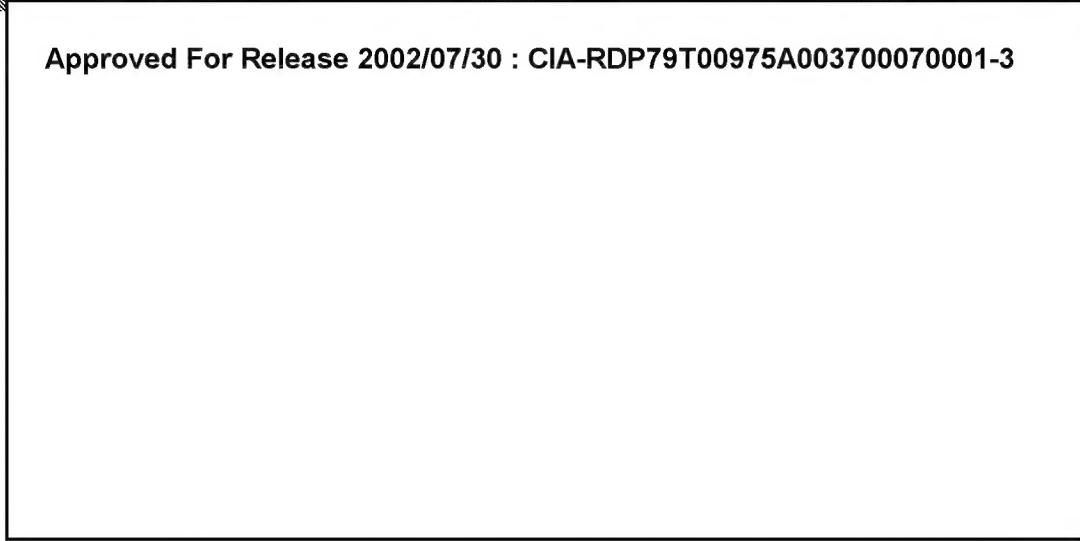
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*Army and State Department
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II. ASIA-AFRICA

yes

Indonesia: North Celebes dissidents have destroyed two government aircraft in a 7 May strike on Ambon airfield. Communist agitation for a boycott against American film interests in Indonesia appears to be the first step in the implementation of Communist secretary general Aidit's recent threat of reprisals if "American aid" to the dissidents were not stopped. Premier Djuanda is writing personally to the heads of several Asian and African nations to report on 'foreign intervention' in the Indonesian conflict.

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Libya: The Libyan cabinet has decided to call for renegotiation of the Libyan-American base rights agreement,

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No

The criterion for the size of new Libyan demands will be the payments the United States is making to other governments for military facilities like those at Wheelus Field. Last week Libya successfully concluded negotiations for British aid during the next five years.

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No

Persian Gulf oil: The Ruler of Kuwait has awarded his half interest in the promising Neutral Zone offshore oil area to the same Japanese firm which late last year successfully bid for Saudi Arabia's half interest. The concession agreement calls for a 57/43-percent split on all phases of the company's operations, apparently including sales down to the service station level. This agreement comes shortly after

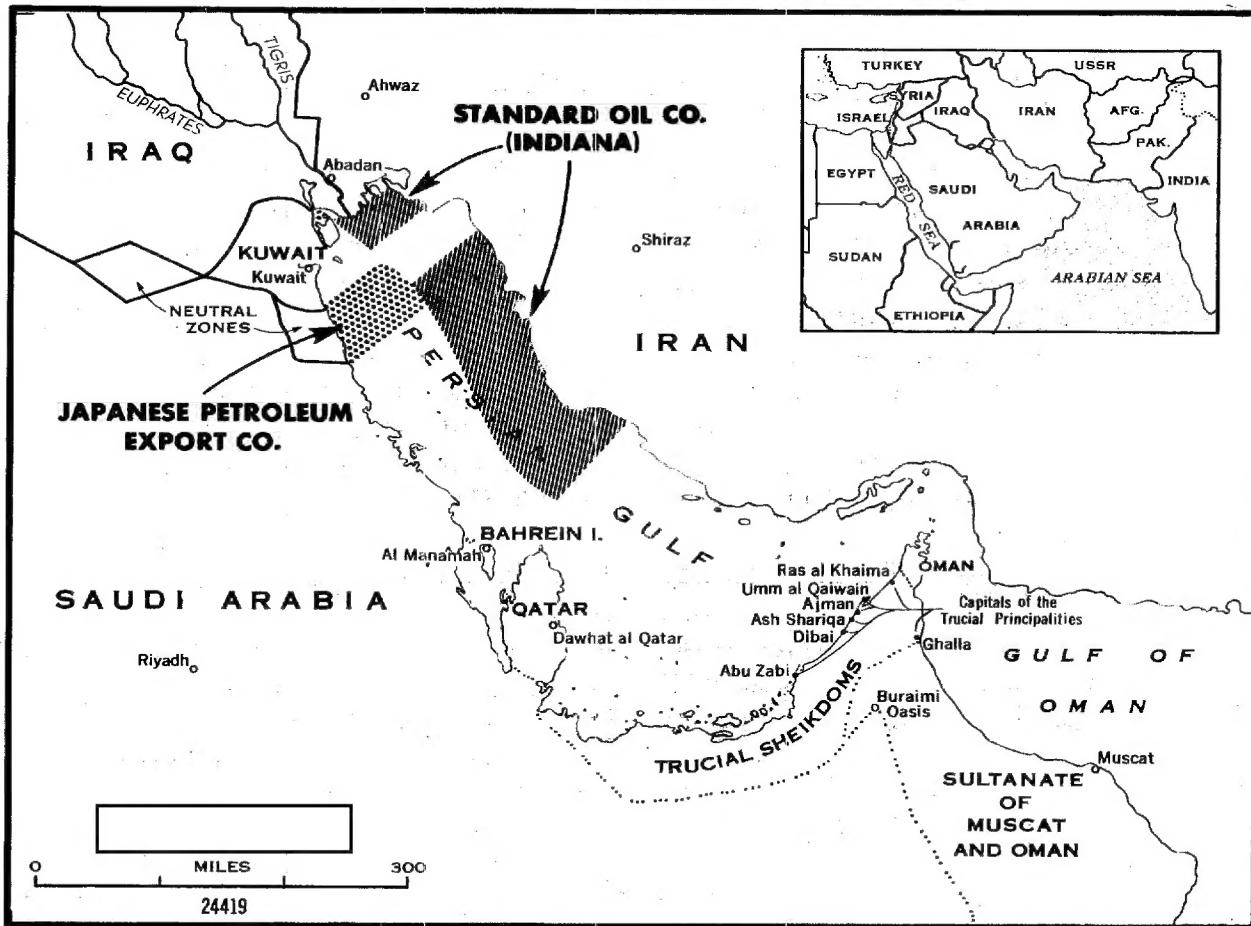
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NEW OIL CONCESSION AREAS



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the 75/25-percent profit split and joint participation arrangement embodied in the Standard Oil Company of Indiana contract with Iran. It is another breach of the traditional 50/50 profit-splitting formula and will further encourage area countries to begin demanding renegotiation of their existing concession agreements.

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yue
Burma: The long-standing dispute between U Nu and Kyaw Nyein will probably come to a head when a special session of the Burmese Parliament meets on 5 June. The ensuing debate between the two opposing factions within the Anti-Fascist People's Freedom League, the government coalition, will result in a test of strength which will probably compel either U Nu and his independent supporters, or Kyaw Nyein and his Socialist party members, to withdraw from the coalition and operate separately. Unless the breach is closed by a compromise settlement, which now seems unlikely, Burma will be threatened by political instability since any new regime

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would be either a minority government or a coalition commanding only a small majority in Parliament. [redacted]

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III. THE WEST

yrs
Panama: The growing agitation for US recognition of Panamanian sovereignty over the Canal Zone forced President de la Guardia to say on 5 May that he would undertake immediately the necessary steps to have the Panamanian flag flown there. He did so in response to demands of student demonstrators who had planted 75 Panamanian flags in the zone in protest against a US request for permission to survey possible radar sites in Panamanian territory. The generally moderate De la Guardia, who lacks strong political support, will find it increasingly difficult to resist the mounting pressures for US concessions regarding the canal. [redacted]

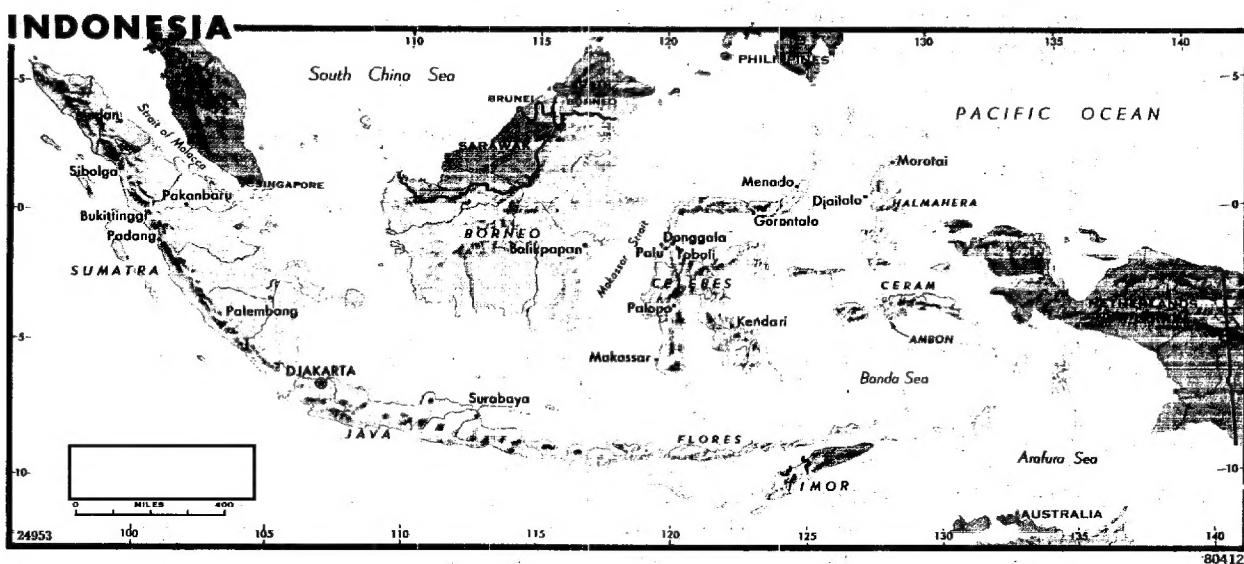
yes
West Germany - UAR: The economic agreement signed on 7 May providing for over \$80,000,000 in German credits to the UAR reflects growing concern in Bonn over East Germany's increased economic activity in the Middle East. In an effort to counter East German influence and prevent recognition of the Communist regime by Middle East countries, Bonn officials have for some time felt some decisive move was necessary to restore Bonn's declining trade with Egypt. West German negotiators received the impression that the UAR wanted Bonn to work on certain projects which were previously discussed with the Soviet bloc. [redacted]

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II. ASIA-AFRICA

Situation in Indonesia

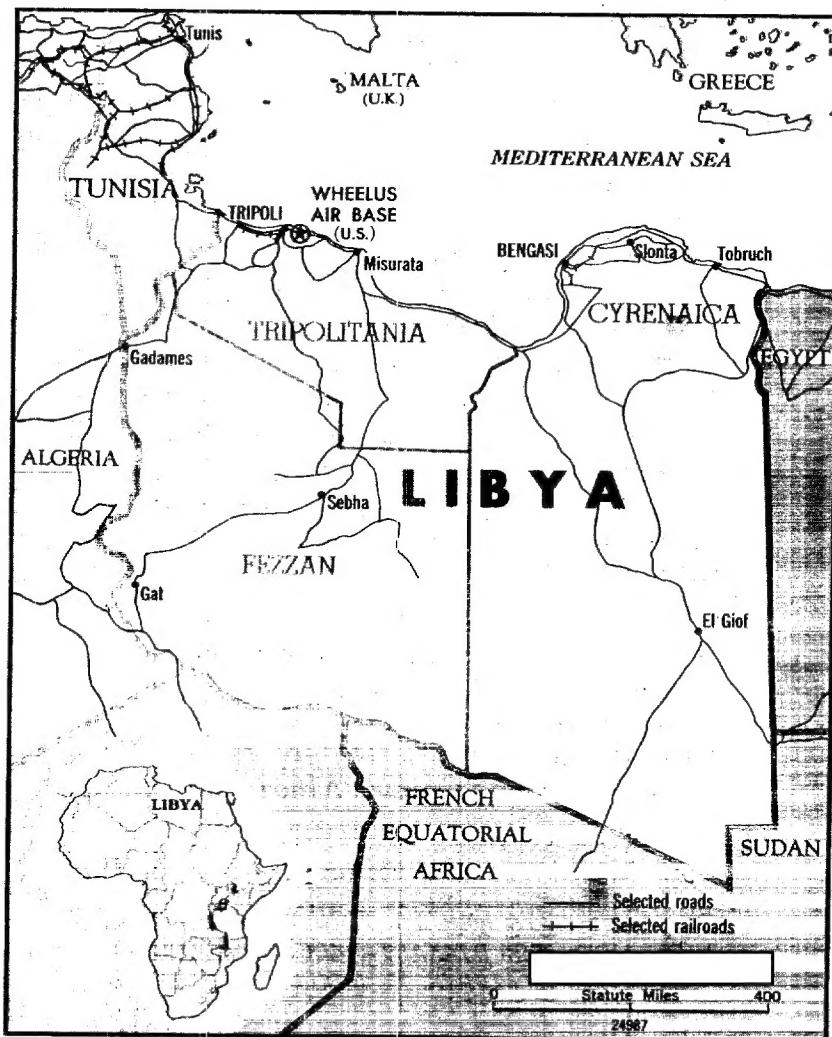
The Indonesian dissident radio in North Celebes announced another air strike against Ambon airfield on 7 May, which destroyed two government aircraft and an oil storage dump. The rebel broadcast stated that the dissidents' B-26 did not interfere with a Garuda Indonesian Airways plane which was leaving the air base but warned that in the future nonmilitary aircraft will be shot down if they continue to use airfields which are dissident targets.

In Djakarta Indonesian Prime Minister Djuanda announced he is asking a number of Asian and African nations to give their attention to the problem of foreign intervention in Indonesia. This suggests that the government now is seriously considering taking the matter to the United Nations.

The Communist-led film workers' trade union on 5 May reportedly told its branches to stand by for a nationwide boycott against American films "unless US intervention ceases immediately." This action apparently is a follow-up of the 2 May letter by the Indonesian Communist party secretary general to the American ambassador in Djakarta threatening to encourage action against American interests in Indonesia unless "aid to the rebels" stopped. Other Communist efforts to exploit the issue of alleged American intervention include the establishment on 4 May of an "anti-foreign intervention movement" composed of both Communist and non-Communist organizations and a request to the WFTU by SOBSI, Indonesia's largest and Communist-led trade union federation, for a world campaign condemning "American intervention."

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Libya May Ask Renegotiation of US Base Agreement

The Libyan Government, having last week successfully concluded a five-year agreement for British economic and military aid, is reported to have decided to demand renegotiation of the Libyan-American base agreement.

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[redacted] the cabinet wants to use the amount of money being "paid" by the United States to other countries for facilities similar to Wheelus Field and its associated operations as a criterion for payments to Libya.

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[redacted] the Libyans wish to separate clearly any negotiations on "payments" for the air facilities from "ordinary" economic aid, which they believe is of little help to them politically, however, beneficial it may be economically.

The Libyan-American agreement of 1954 extends to 1971 and obligates the United States to pay Libya a total of \$40,000,000. It has been under heavy attack recently by Cairo's propaganda and by pro-Egyptian elements in Libya. These media have emphasized that Libya runs a serious risk of involvement in hostilities and that even in peacetime the Libyans are in danger from accident involving nuclear weapons. The Libyan Government is both pressed by this propaganda and inclined to use it to extract concessions.

Under the British-Libyan agreement concluded in London on 3 May, the British are to pay \$9,100,000 a year for the next five years, to train the Libyan army, to furnish it with light equipment, and to "expedite discussions" concerning aid for a Libyan navy. The annual payment to which the British agreed is \$2,800,000 higher than they had previously indicated was the maximum they would be willing to pay. Total US aid to Libya from 1954 through 1957 was about \$61,000,000.

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New Burmese Government Expected in June

Burmese President Win Maung has called a special session of Parliament for 5 June to debate a no-confidence motion to be brought against Premier Nu. The motion will be made by Deputy Premier Kyaw Nyein and will force a showdown in the long-standing personal feud between him and Nu for leadership of the government party, the Anti-Fascist People's Freedom League (AFPFL).

Pending the parliamentary session, Burmese politics are in a state of turmoil. Maneuvering and bargaining for parliamentary votes appear to have displaced all other governmental considerations. Some political sources predict a Kyaw Nyein victory, while the Rangoon press appears to expect U Nu to triumph. Other Burmese leaders, notably Deputy Premier Ba Swe, continue to urge reconciliation between the two factions but apparently with little hope of success.

The AFPFL, which has ruled Burma since the country became independent in 1948, has weathered several serious splits and desertions. The present controversy, however, threatens to deprive Burma of its strongest asset for political stability--one-party government. Should U Nu lose the no-confidence vote, the resulting government would probably have to be formed from a coalition of the victorious AFPFL faction with minor opposition parties.

The resultant instability of government may seriously hamper effective implementation of any government programs for economic development. The government's military and psychological campaign against the insurgents should not be immediately affected, as all of the feuding leaders support present government policies.

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III. THE WEST

Panamanian Agitation for Sovereignty Over Canal Zone

President de la Guardia's assurance to demonstrating Panamanian students on 5 May that he would immediately take the necessary steps to have Panama's flag flown in the Canal Zone followed a recent barrage of newspaper and radio discussion of US-Panamanian relations. The US Army Caribbean Command describes the publicity given the recent planting of 75 Panamanian flags in the zone by students as "unparalleled."

Demands that the US accord Panama a greater role in canal operations have been increasingly frequent and urgent since Egypt's nationalization of the Suez Canal Company in 1956. High officials have asserted that half of canal revenues should go to Panama and that some new arrangement recognizing their country's sovereignty in the zone would soon be necessary. Powerful businessmen and politicians, the leftist student federation, and other groups have also blamed Panama's serious economic plight on US policies and claim the US has not honored its treaty obligations.

Until now President de la Guardia has maintained a moderate attitude despite opposition charges that he is not defending Panamanian rights. Lacking support within his own tenuous political coalition, the strongly adverse reaction to possible additional US defense sites in Panama probably forced him to acknowledge student demands. Neither De la Guardia nor the strong national guard apparently feels it is any longer politically expedient to ignore the rising nationalist sentiment. US authorities in Panama feel that any concessions would only be followed by further demands.

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Bonn Grants Large Credit to UAR

In an effort to counteract the growing economic activity of East Germany in the Middle East, Bonn is granting over \$83,000,000 in credits to the United Arab Republic. The West German Foreign Ministry has been worried by the possibility that rapidly increasing trade between East Germany and Egypt would increase the chances of diplomatic recognition of East Germany by Middle East countries. Bonn officials have felt it was necessary to take some decisive step to restore declining West German trade with Egypt. During the first ten months of 1957, West German - Egyptian trade fell slightly to \$58,700,000--mainly because of reduced German imports--while East German trade with Egypt doubled to reach \$30,700,000.

The Bonn Foreign Ministry has also been concerned over the possibility that Nasir's current Moscow visit might result in recognition of East Germany. Just prior to Nasir's departure the German ambassador stressed Bonn's policy of breaking relations with any state recognizing East Germany, and Nasir replied that he had no intention of extending recognition.

The eight-day talks in Bonn which preceded the signing of the agreement on 7 May covered several development projects, such as electric power development at Aswan, the Latakia harbor works, and development of free port zones at Port Said and Suez.

German negotiators received the impression that Syria wanted Bonn to undertake certain projects which had previously been arranged with Soviet bloc countries. The agreement, however, states merely that Bonn is ready to increase investments and technical aid, particularly in development of port and harbor facilities.

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